PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Application No.:	09/922,297
Filing Date:	August 3, 2001
Applicant:	Jane I. Potter
Group Art Unit:	3687
Examiner:	Vanel Frenel
Title:	Method Of Administering A Health Plan
Attorney Docket:	4371-000002

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

REPLY BRIEF

Sir:

In response to each of the grounds for rejection noted in the Examiner's Answer, the Appellant submits this Reply Brief and states as follows:

1. 1^{st} and 2^{nd} GROUNDS OF REJECTION ON APPEAL

The Board should overturn the rejections because the references do not teach all of the claim limitations, and because there is no reason as to why a person of ordinary skill in the art would have modified or combined the teachings in the cited references in a manner that would result in the fashion claimed.

I. Obviousness Has Not Been Established Because the Combination of References Fail To "Teach All Of The Claim Limitations" In Accordance With MPEP § 2143; § 706.02.

In order to support a prima facie case of obviousness, the Examiner must point to objective evidence of the claim limitations in the cited references. Despite this well established principle, the Examiner has repeatedly supplemented the record with his own conclusory statements. For example, the Examiner's Answer states on page 3, 7 and 21 that *TORMA* discloses a method comprising "sharing a portion of the costs savings resulting from the provider's reduction of average cost per service episode compared to a predetermined budgeted average cost per service episode." (citing *TORMA*, col. 9, lines 6-48). None of this language is found in *TORMA*, and appears to have been wholly the creation of the Examiner.

The section of *TORMA* cited by the Examiner teaches comparison of costs for military care facilities versus civilian care facilities, and states:

> "costs for direct care (care given in military facilities by military physicians) are computed as well as the costs of indirect care (through CHAMPUS) by civilian physicians... Although accounting practices in the military differ widely from those used in the civilian sector, it is possible to compare military-medical costs on a per patient basis with similar costs in civilian hospitals. In addition, by using the procedures described here, it is possible to compare military treatment facilities with one another." (*TORMA*, c. 9, ll. 8-43).

TORMA further teaches that:

> "These facilities can now be examined to determine appropriate staffing levels, practices and procedures, and other aspects that set these facilities apart from the others. Likewise, the other SAC hospitals that did not meet the established standards can be examined to determine where improvements are necessary." (*TORMA*, col. 11, lines 40-46).

Thus, the cited portion of *TORMA* merely teaches the comparison of respective care facility costs and determination of facilities that did not meet the established standards to determine where improvements are necessary. There is no disclosure, nor any basis in *TORMA* to support the Examiner's contention that *TORMA* teaches "sharing a portion of the costs savings resulting from the provider's reduction of average cost per service episode compared to a predetermined budgeted average cost per service episode."

The Examiner's analysis of *TORMA* simply makes a bare, conclusory assertion that it would have been obvious to modify *TORMA* to arrive at the Appellant's invention. The Appellant notes that the Supreme Court stated that the "analysis should be made explicit." *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (U.S., 2007), citing *In re Kahn*, 441 F.3d 977, 988, (CA Fed. 2006) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements...instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness").

In view of the above, the Examiner's attempts to craft a rejection based on *TORMA* without evidentiary support must be summarily disregarded.

On page 4, the Examiner's Answer goes on to say, with absolutely no evidentiary basis, that *LOCKWOOD* discloses or suggests a method of having a portion of cost savings "depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure. (citing *LOCKWOOD*, col. 12, line 67 - col. 14, line 15; col. 14, line 1-17).

However, this language is not found in *LOCKWOOD*, and also appears to have been wholly the creation of the Examiner. The section of *LOCKWOOD* cited by the Examiner actually teaches taking corrective action by instructing providers to improve performance:

> "In instances where there has been a budgetary overrun and the quality performance percentage associated with treating the selected condition (from step 210) is below the industry standard, this fact is signaled to the network administrator through workstation 90. The administrator may then take corrective action by, for example instructing the providers in the network to schedule and perform further procedures <u>so as to improve the quality performance percentage</u> of the network as a whole for the selected condition". (*See LOCKWOOD*, col. 13, lines 30-39)

Thus, *LOCKWOOD* teaches that where there has been a budgetary overrun and the quality performance percentage associated with treating a selected condition is below the industry standard, the administrator may take corrective action by instructing the providers to improve the quality or efficiency of their performance. (See *LOCKWOOD*, column 13, lines 5-11 and lines 30-39).

The Examiner's analysis of *LOCKWOOD* simply makes a bare, conclusory assertion that it would have been obvious to modify *TORMA* and *LOCKWOOD* to

arrive at the Appellant's invention. The Appellant notes that the Supreme Court stated that the "analysis should be made explicit." *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (U.S., 2007), citing *In re Kahn*, 441 F.3d 977, 988, (CA Fed. 2006) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements...instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness").

In view of the lack of analysis, the Examiner's attempts to craft a rejection based on *LOCKWOOD*, without pointing to evidentiary support in the reference (of the disclosure of sharing a portion of cost savings with a provider depending in part upon the provider's average cost per service episode compared to an average cost per service episode of all providers), must be summarily disregarded.

Similarly, *YASIN* also does not disclose anything that would have led a person of ordinary skill in the art to modify the prior are in a manner that would result in the fashion claimed as in the method of claim 1, in which "information on the average cost per service episode is periodically distributed to the health service provider, for motivating the health service provider to more efficiently manage service episodes to keep their cost per service episode below the predetermined budgeted average." *YASIN*'s teaching that doctors "use less invasive, less expensive medical procedures" or "rewarding those who did with a cash bonus" does not suggest the claimed limitations, since *YASIN* does not disclose distributing information on the average cost per episode to the health care provider, which information on average cost establishes the target for providers to keep their costs below in order to share in the resulting cost savings.

YASIN's disclosure that doctors may be rewarded with "a cash bonus" if they "practice better" actually suggests that doctors may receive a bonus solely for practicing better, by providing better quality, for example. (*See YASIN*, p.8, ¶ 2). *YASIN* does not suggest the method in claim 1 of sharing a portion of cost savings with a provider where information on the average cost per service episode is periodically distributed to the health service provider, since there is no guarantee that doctors who perform a given less expensive procedure will achieve an actual cost savings in their overall average cost per service episode relative to the average cost per service episode of other providers performing the same procedure. Thus, *YASIN's* merely suggests rewarding those doctors who practice better, and does not disclose anything that would lead a skilled artisan to arrive at the claimed method for sharing a portion of cost savings with a provider where information on the average cost per service episode is periodically distributed to the health service provider to provide an incentive or target.

YASIN specifically fails to disclose the periodic distribution of a budgeted average cost per episode that the physician must keep his actual cost below to realize and receive a portion of the cost savings. The present claims provide for periodically distribution to the physician information on the average cost per service episode as a target or incentive for the physician to maintain costs below. Contrary to *YASIN*, the presently claimed method provides the information that will enable the service provider to work towards an actual cost savings, by giving the provider a target that determines the savings the physician achieves. The Appellant submits that *YASIN*'s ambiguous teaching of encouraging its contracting doctors to practice better by rewarding those who do with a bonus

does not provide any reason to combine the teachings of *TORMA, LOCKWOOD* and *YASIN* in a manner that would result in the fashion claimed by the Appellant. The Supreme Court has stated that there must be an apparent reason to combine the known elements in the references in a manner that would result in the fashion claimed by the patent application at issue. *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (U.S., 2007). Thus, the Appellant submits that there is no apparent reason that would make it obvious to modify the references in a manner that would result in the method in claim 1 for sharing a portion of cost savings with a provider, where information on the average cost per service episode is periodically distributed to the health service provider.

The Appellant's submit that none of the cited references teach or suggest the claimed method. Instead, the cited references would only lead a skilled artisan to determine where improvements are necessary and to take corrective action by instructing the providers to schedule and perform further procedures to improve quality. The Appellant submits that this strategy in the cited references of determining where improvements are necessary and taking steps such as instructing providers to improve quality is inferior when compared to the invention as claimed in claim 1, for example.

The Appellants also note that the operative question regarding obviousness under the functional approach laid out in *KSR* is to determine "whether the improvement is more than the predictable use of prior art elements according to their established functions." *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (U.S., 2007). Here, the claimed invention is more than the predictable use of prior art elements according to their established functions (of

determine where improvements are necessary and taking action by instructing providers to improve quality). Rather, the claimed invention performs a new unobvious step of periodically distributing information on the average cost per service episode "to the health service provider, for motivating the health service provider to more efficiently manage service episodes to keep their cost per service episode below the predetermined budgeted average", as a target or incentive for providers to keep their costs below.

Thus, the Applicants have recited a new unobvious step of "information on the average cost per service episode is periodically distributed to the health service provider, for motivating the health service provider to more efficiently manage service episodes to keep their cost per service episode below the predetermined budgeted average," which does more than perform their predicted functions. The Appellant submits that this claimed step "represents an unobvious step over the prior art." (*see Leapfrog Enters v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007).

The Appellant further submits that the Examiner has identified the claimed invention using Appellant's disclosure as a road map, and that Examiner's reasoning is simply an application of impermissible hindsight. As such, the Appellant submits that the presently rejected claims are not obvious, and reversal of the present rejections are respectfully requested.

Respectfully submitted,

Kevin Pumm

Kevin M. Pumm, Reg. No. 49,046
Harness, Dickey & Pierce, P.L.C.

7700 Bonhomme Avenue, Suite 400
St. Louis, MO 63105
(314) 726-7500

Date: October 15, 2008

CERTIFICATE OF TRANSMITTAL

I certify that on October 15, 2008, APPLICANTS' REPLY BRIEF was electronically filed with the U.S. Patent and Trademark Office, address to Commissioner for Patents, U.S. Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450.

Kevin Pumm

Kevin M. Pumm, Reg. No. 49,046

60430363.1